

US DOT
Short Term Lending Program
Application and Information

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Small and Disadvantaged Business Utilization

*A financing program administered under cooperative agreements
between the U.S. Department of Transportation and several banks*

POLICY STATEMENT

I. INTRODUCTION

- A. The DOT Short Term Lending Program (STLP) is a national program designed to lend short term working capital to disadvantaged business enterprises (DBEs) in order to increase the number of DBEs that enter into transportation related contracts and to strengthen the competitive and productive capabilities of the DBEs that currently do business with the U.S. Department of Transportation, its grantees, recipients, their contractors and subcontractors.

The program is administered under cooperative agreements between the U.S. Department of Transportation (DOT) and one or more banks and is authorized under Subchapter 11 of the Department of Transportation Act, 49 U.S.C. 332, Pub. L 97-449.

B. Glossary of Terms

1. DBE - a disadvantaged business enterprise.
2. DOT - The United States Department of Transportation.
3. STLP Bank - A bank under cooperative agreement with DOT which jointly with DOT provides loans and lines of credit.
4. Recipient - State and other agencies which receive Federal funding from DOT.

II. ELIGIBILITY

- A. The applicant must be a certified disadvantaged business enterprise (DBE), minority-owned business enterprise or women-owned business enterprise. These certifications must be performed under DOT guidelines, 49 CFR Part 23. For purposes of this document, "DBE" will be used to describe all businesses certified under the DOT regulation.

Certification of firms is performed by the individual recipients of federal transportation funds. Certification is not performed by the U.S. Department of Transportation or any of its divisions.

All firms defined by Section 8(a) of the U.S. Small Business Administration Act are automatically recognized by all recipients and are eligible to participate in the DBE program, without any further recipient certification.

- B. The borrower must be performing under a transportation related contract. The term "transportation related" contract means a contract for the maintenance, rehabilitation, restructuring, improvement, or revitalization of any of the nation's modes of transportation with any public or commercial provider of transportation of any Federal, State or local transportation agency. In addition, such a contract may be with any other Federal agency; provided that, and within the discretion of the Director of DOT's Office of Small and Disadvantaged Business Utilization (OSDBU), each contract will assist a DBE in competing subsequently for contracts with either a public or commercial provider

of transportation or any Federal, State or local transportation agency. This provision is applicable to any prime contractor or subcontractor, at any tier, of such a transportation provider or agency.

III. LOAN STRUCTURE AND TERM

- A. Loans are structured as revolving lines of credit to finance accounts receivable arising from transportation related contracts. Accounts receivable from any number of transportation related contracts may be financed under the same line of credit.
- B. The term of each line of credit is normally one year. Renewals of the line may be requested, and updated financial information must be provided to the STLP Bank for the evaluation and decision process.
- C. Loan documentation is the responsibility of the STLP Bank, and the STLP Bank will administer the line of credit.

IV. ADVANCES AND REPAYMENT

- A. Advances under the line of credit are made upon presentation of invoices or requests for progress payments, as permitted by the contract, to the STLP Bank. The maximum advance against each invoice is 85% of the invoice amount.
- B. Repayment of each advance is effected at the time the project owner or prime contractor makes payment of each invoice. Payment of invoices will require the use of the two-payee payment system, wherein the STLP Bank and the DBE will be payees of any check paid by the project owner or prime contractor to the DBE, and the payment will be sent to the STLP Bank.
- C. The lines of credit are intended to provide short term working capital to bridge the period between preparation and submission of the invoice and receipt of payment from the prime contractor or project owner. The customary uses of funds borrowed under the line are for payroll, materials and other project related items. Due to the short term nature of each advance the funds are not available for long term purposes, such as the purchase of equipment or other fixed assets; nor are they to be used for payment of non-current taxes, repayment of existing debt, or distributions to the company's owners. The funds are not available to start up a business or a project, as advances may be made only against invoices based on work already performed.

V. COLLATERAL

- A. The proceeds of the transportation related contracts are the primary collateral and source

of repayment. Other collateral may be included in the offer of a line of credit.

B. The STLP Bank's and DOT's collateral position shall be perfected by means of filings under the Uniform Commercial Code (UCC) and by assignment of contract proceeds.

C. Lines of credit shall be personally guaranteed by each owner of 20% or more of the firm.

VI. INTEREST RATE

The funds shall be loaned at the prime rate of interest that is published daily in the Wall Street Journal, adjusted on the first day of each calendar month for the ensuing month.

VII. LOAN DECISIONS

Loan approval decisions will consist of approval by the STLP Bank and concurrence by DOT.

While special consideration must be given to support the financial needs of DBEs in their early stages of development, decisions will include the basic parameters of sound credit judgement and standards.

VIII. BONDED PROJECTS

If a contracting agency or prime contractor requires bonding before performance can begin on a transportation related contract, the STLP Bank must receive evidence that the bond has been furnished before it makes advances under the line of credit against the accounts receivable from that contract.

IX. LOAN READINESS

A company which does not have a transportation related contract may submit an application for the STLP at such time as it has received reasonable assurance that it is being considered for a specific transportation related contract. Any offer of a line of credit will be conditional upon the company receiving an eligible contract and will be subject to review after the contract is obtained.

NOTE: Loan Readiness may be performed by the STLP Banks; however, approval on a Loan Readiness basis does not commit DOT or the STLP Bank to a loan nor imply that the firm will receive a loan through the program.

DOT SHORT TERM LENDING PROGRAM LOAN APPLICATION

Applicant:

Address:

City, State, Zip:

County:

Description of Business Operations:

Date Established:

Phone:

Internet Address:

Fax:

Applicant's Bank:

Phone:

Address:

Account Officer:

Phone:

INFORMATION CONCERNING MANAGEMENT:

List all owners (having 20% or greater interest), officers, and/or directors:

Name:

Title:

Address:

Percent of Ownership:

Annual Compensation:

Name:

Title:

Address:

Percent of Ownership:

Annual Compensation:

Name:

Title:

Address:

Percent of Ownership:

Annual Compensation:

List the applicant's attorney, accountant and insurance company/agent:

Attorney:

Phone:

| | |
|---|-------------|
| Address: | |
| Accountant: | Phone: |
| Address: | |
| Insurance Company: | Phone: |
| Agent: | |
| Address: | |
| | |
| Line of Credit Amount Requested: \$ | |
| How do you plan to use the line of credit proceeds? | |
| | Amount (\$) |
| 1. Carry Accounts Receivable | |
| 2. Payroll | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. | |
| Total: | \$ |

Primary Collateral: The transportation related contract(s) supporting the line of credit application will be the primary source of collateral and repayment. Describe the transportation related contract(s) as follows:

| | | |
|---------|----------------|------------------|
| Amount: | Starting Date: | Completion Date: |
|---------|----------------|------------------|

Other Collateral

| | | |
|---------------------|---------------------------|---------------------------|
| Available: | Present Market Value (\$) | Present Loan Balance (\$) |
| Real Estate | | |
| Inventory | | |
| Accounts Receivable | | |
| Machinery/Equipment | | |
| Other: | | |
| Other: | | |
| Total Collateral | | |

Are there any affiliated businesses (businesses which share common ownership with the applicant)?

Yes If Yes, please provide the business name(s) and financial statements:

No _____

Are you now (or have you ever been) subjected to any claim for additional taxes?

Yes If Yes, please explain:

No _____

Are any federal, state or local taxes now past due?

Yes If Yes, please describe:

No _____

Are any liabilities other than taxes now past due?

Yes If Yes, please explain:

No _____

Are there currently any bankruptcy, insolvency proceedings, or pending lawsuits?

Yes If Yes, please describe:

No _____

Contingent Liabilities:

As Guarantor, Endorser, or Co-Maker:

Other Contingent Debts: (contracts, leases, etc.):

DBE INFORMATION

Disadvantaged Business Enterprises (DBEs), which include women owned businesses and minority owned businesses, are set forth in 49 Code of Federal Regulation, Part 23.

The applicant, _____ certifies that it is a Disadvantaged Business Enterprise and that the contract or contracts to be financed is/are transportation related.

Basis for DBE Status: (check as appropriate)

Female

Hispanic

Asian

Indian/Alaskan

Black

Other: _____

Name of Agency which Certified your Business as a DBE:

In submitting the foregoing application, the undersigned guarantees its accuracy with the intent that it be relied upon by the STLP Bank and the U.S. Department of Transportation in extending credit to the undersigned and warrants that the undersigned has not, knowingly, withheld any information that might affect its credit risk; and the undersigned expressly agrees to notify, immediately, said bank and the U.S. Department of Transportation, in writing, of any material change in its financial condition.

Signature of Preparer: (if other than applicant)

Type Name of Preparer:

Address of Preparer:

If applicant is a proprietorship or partnership, sign below:

Name _____ Title _____ Date _____

If applicant is a corporation, sign below:

Name _____ Title _____ Date _____
(SEAL)

APPLICATION PROCEDURES

I. CONTENTS OF APPLICATION PACKAGES

Each loan package is to include all items listed on the following Exhibit Checklist (Section II) or an explanation for any omission. All items may not apply to every company, such as the request for three years of business financial statements and tax returns for a company in business for less than three years, and may be noted as not applicable, or “N/A”.

Business financial statements are to be prepared by an independent CPA firm and to include the accountant's cover letter, balance sheet, operating statement, any additional statements and schedules, and any accompanying notes. If the latest financial statements are more than 90 days old, interim financial statements are to be furnished which may be management prepared.

Additional explanatory items may be included to expand or clarify the application materials, such as: letters describing existing bank lines or credit or other borrowing capacity; references from suppliers; or recommendations resulting from previous job performance.

A loan package which is obviously incomplete and is such that a proper credit evaluation cannot be completed may be returned to the sender for completion.

II. EXHIBIT CHECKLIST

- A. DOT Short Term Lending Program loan application
- B. Business: Three years business financial statements and tax returns
Personal: (for each proposed guarantor) Current personal financial statement; three years tax returns
- C. Detailed cash flow projections covering the term of the line of credit, to be prepared on a monthly basis and to include all assumptions and any supporting information
- D. Applicant's Statement of Work in Progress
- E. Certification as a disadvantaged business enterprise or evidence of inclusion in the Small Business Administration's 8(a) program
- F. A complete copy of each transportation related contract or subcontract for which the requested line of credit is intended. If a copy is not yet available, include a brief description of each contract or subcontract, such as: name of agency, prime contractor if applicable, and amount of contract
- G. Current Agings of Accounts Receivable and Accounts Payable
- H. Certificate of Incorporation, Articles of Incorporation, partnership agreement, or other evidence of formation and registration of the business entity; Certificate of Good Standing
- I. Brief history of the company and expected benefits of the loan
- J. Brief resume of all operating officers

K. Several business reference letters, or a list of several references

III. TECHNICAL ASSISTANCE

Firms may consider utilizing the services of: the U.S. Department of Commerce, Minority Business Development Centers; the Small Business Administration, Small Business Development Centers; or State Supportive Services programs as possible sources for assistance or guidance in preparing loan application packages. The program will also accept loan packages developed by private resources and organizations.

IV. STLP BANKS

Application packages are to be submitted directly to the STLP Banks which service the geographical areas listed below.

**AK, AZ, CA, CO, HI, ID, MT, NV
OR, UT, WA, WY**

Cathay Bank

777 North Broadway
Los Angeles, California 90012
Wayne G.K. Chow
Business Banking Officer
(213) 625-4709
(213) 625-3915 Fax

**AR, IL, IN, IA, KS, LA, MI, MN, MO,
NE, NM, ND, OH, OK, SD, TX, WI**

NAB Bank

4928 North Broadway
Chicago, Illinois 60640
Douglas W. Dancer
Vice President
(773) 561-2300
(773) 561-3003 Fax

**AL, CT, DE, FL, GA, KY, ME, MD, MA, MS,
NH, NJ, NY, NC, PA, RI, SC, TN, VT, VA,
WV, Puerto Rico, US Virgin Islands**

Hamilton Bank, NA

8750 NW 87th Avenue
Miami, Florida 33178
Gertrudis P. Caro
Assistant Vice President
(305) 717-5726
(305) 591-8161 Fax

*If you require additional information or assistance concerning
the Short Term Lending Program, please contact:*

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE of SMALL and DISADVANTAGED BUSINESS UTILIZATION
400 Seventh Street, SW, Room 9410
Washington, D.C. 20590
(800) 532-1169
(202) 366-2852